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TDS TELECOM

EX PARTE OR LATE FILED

*Government and Regulatory Affairs*



September 30, 1998

***Ex Parte***

Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street NW Rm 222
Washington, DC 20554

RE: CC DOCKET 96-45, IN THE MATTER OF FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICE

Dear Ms. Roman Salas:

On September 29, 1998, Robert DeBroux and Gail Long of TDS TELECOM met with Bill Gillis and Tom Wilson of the Universal Service Joint Board to discuss TDS TELECOM's positions on Universal Service Issues referred to the Federal-State Joint Board.

Enclosed herewith are the documents discussed with Mr. Gillis and Mr. Wilson during this meeting. I have enclosed copies in accordance with Commission rules. Please date stamp and return the provided copy in the enclosed self-addressed, stamped envelope.

Respectfully submitted,

Elizabeth H. Valinoti
Manager
Federal Regulatory Affairs

EHV/aec

Attachment

cc: B. Gillis
T. Wilson

# TDS TELECOM Positions on Universal Service Issues Referred to the Federal-State Joint Board

September 1998

**Proxy model decisions made for non-rural companies are likely to carry through to rural companies.**

- While the Joint Board is currently reviewing high-cost support issues for non-rural ILECs, regulatory history suggests that rules adopted for non-rural ILECs will eventually – at least in part – apply to rural ILECs.

- Effective analysis of the models by rural companies is extremely difficult because of the complexity of the models, and because much of the data and processes used remain proprietary or at least inaccessible. (For example, geocoding data; mapping of customer location; need to understand visual basic or other programming languages.)

- Customer location algorithms remain unreliable and generate widely variable average loop lengths that differ significantly from actual measures. Such variation contributes to cost estimates that deviate greatly from actual costs. (See Michigan actual versus proxy comparisons.)

- TDS TELECOM analysis of the currently available Hatfield and BCPM versions indicate that TDS TELECOM Washington companies would suffer an average decrease in high cost support of $7 per line, per month, and $5 per line, per month, respectively, should these models be employed.

**Determining universal service support through the use of actual costs remains the most viable alternative for rural ILECs.**

- The 1996 Act goals of reasonable and comparable rates in rural areas will be jeopardized without specific, predictable and sufficient support amounts generated through use of actual costs. To date, the use of actual costs appears to be the best measure for support needs.

- Predictable support, as that afforded by current mechanisms, will enable the continued investment in rural infrastructure necessary for rural economic development.

**Disaggregating universal service support into geographic areas smaller than study areas is necessary to preserve universal service while promoting competition in rural areas.**

- "Portable" support based on the rural ILECs study area average cost is bad economics and bad public policy.

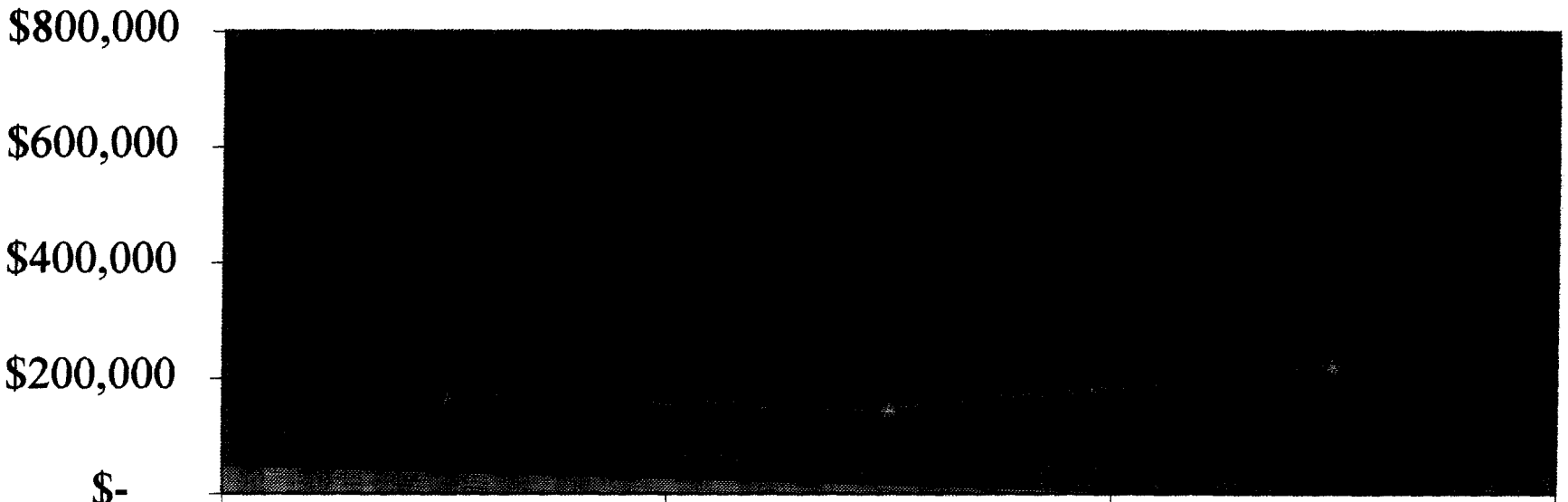
- Disaggregation of support will help prevent the detrimental effects of "creamskimming," including loss of necessary support for the rural ILEC's remaining customers. It will also prevent a windfall of unnecessary support to the CLEC serving the lower cost areas.

- Proxy models may provide an acceptable method of accomplishing disaggregation. In fact, proxy models were originally designed for this purpose, not to determine the size of a universal service fund.

**The FCC's proposed 25-75 jurisdictional split of federal and state high-cost support will not provide adequate universal service support, particularly in high-cost states like Washington.**

- Federal support has provided significantly more than 25% of total support for small, rural ILECs which has enabled these companies to provide their rural customers with advanced, high-quality, reliable networks.

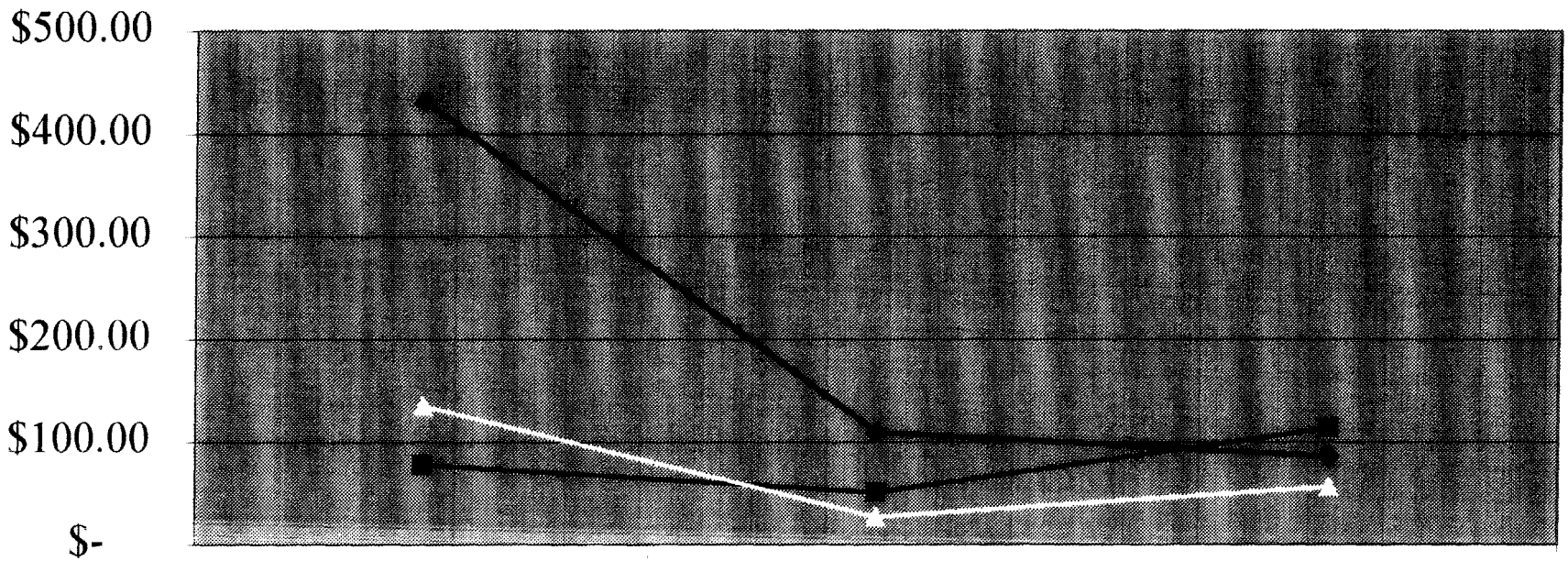
# FEDERAL UNIVERSAL SERVICE SUPPORT
## Actual vs. Proxy at 25%




| | ASOTIN | LEWIS RIVER | MCDANIEL |
|---|---|---|---|
| ACTUAL | $545,547 | $607,499 | $339,853 |
| BCPM 3.1 | $97,985 | $281,092 | $449,666 |
| HAI 5.0a | $171,372 | $148,897 | $222,756 |

Proxy data represents wirecenter level calculations using model defaults.
Proxy support calculated on primary residential and single line business lines.

# FEDERAL UNIVERSAL SERVICE SUPPORT PER LINE
## Actual vs. Proxy at 25%

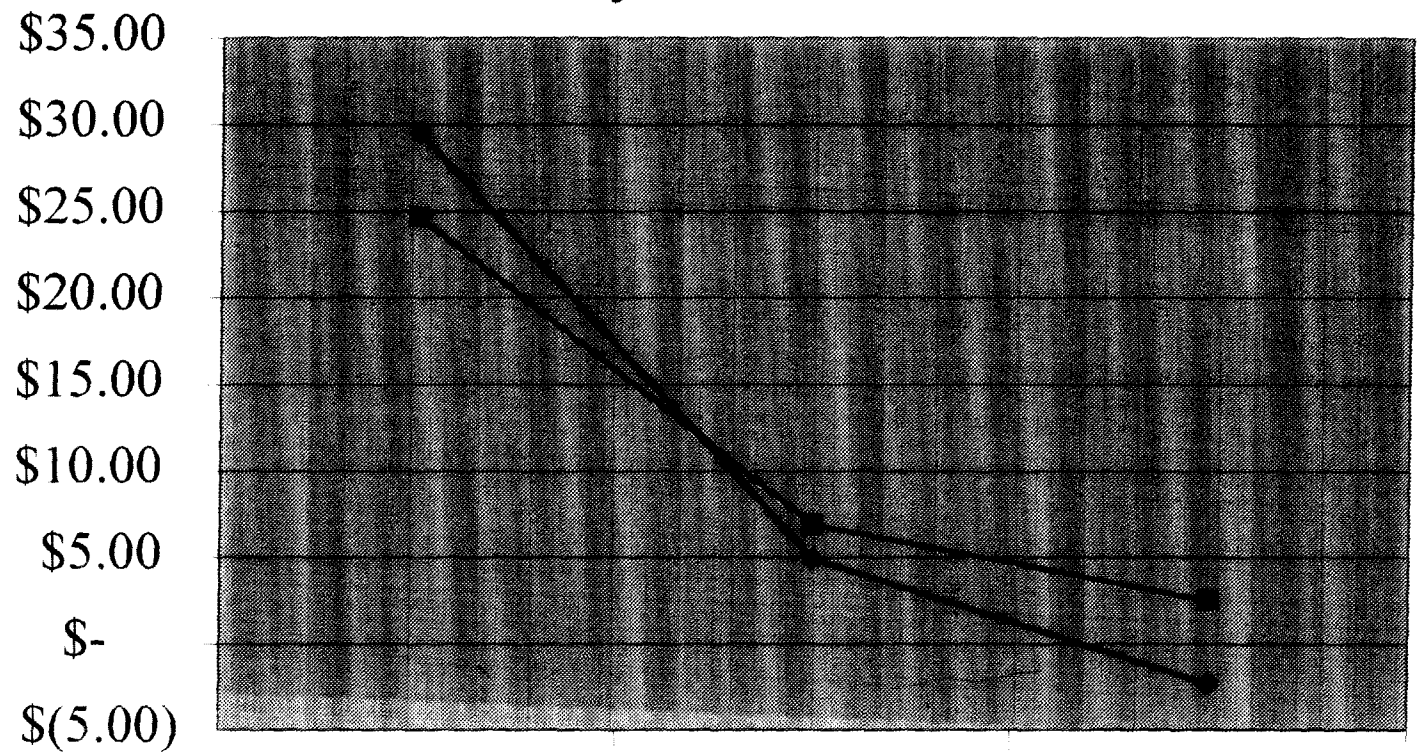



| | ASOTIN | LEWIS RIVER | MCDANIEL |
|---|---|---|---|
| ACTUAL | $431.60 | $109.34 | $85.73 |
| BCPM 3.1 | $77.52 | $50.59 | $113.44 |
| HAI 5.0a | $135.58 | $26.80 | $56.19 |

Proxy data represents wirecenter level calculation using model defaults.
Proxy support calculated on primary residential and single line business lines.

# IMPACT PER LINE PER MONTH

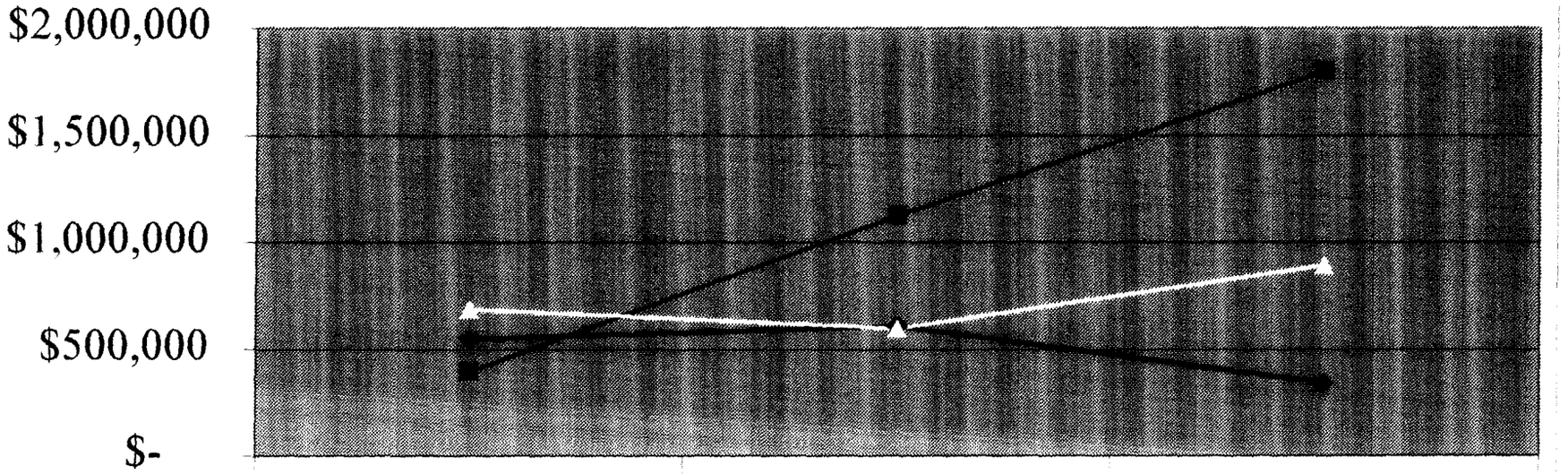
## Actual vs. Proxy at 25%




| | ASOTIN | LEWIS RIVER | MCDANIEL |
|---|---|---|---|
| ACTUAL - BCPM 3.1 | $29.51 | $4.90 | $(2.31) |
| ACTUAL - HAI 5.0a | $24.67 | $6.88 | $2.46 |

Proxy data represents wirecenter level calculation using model defaults.
Proxy support calculated on primary residential and single line business lines.

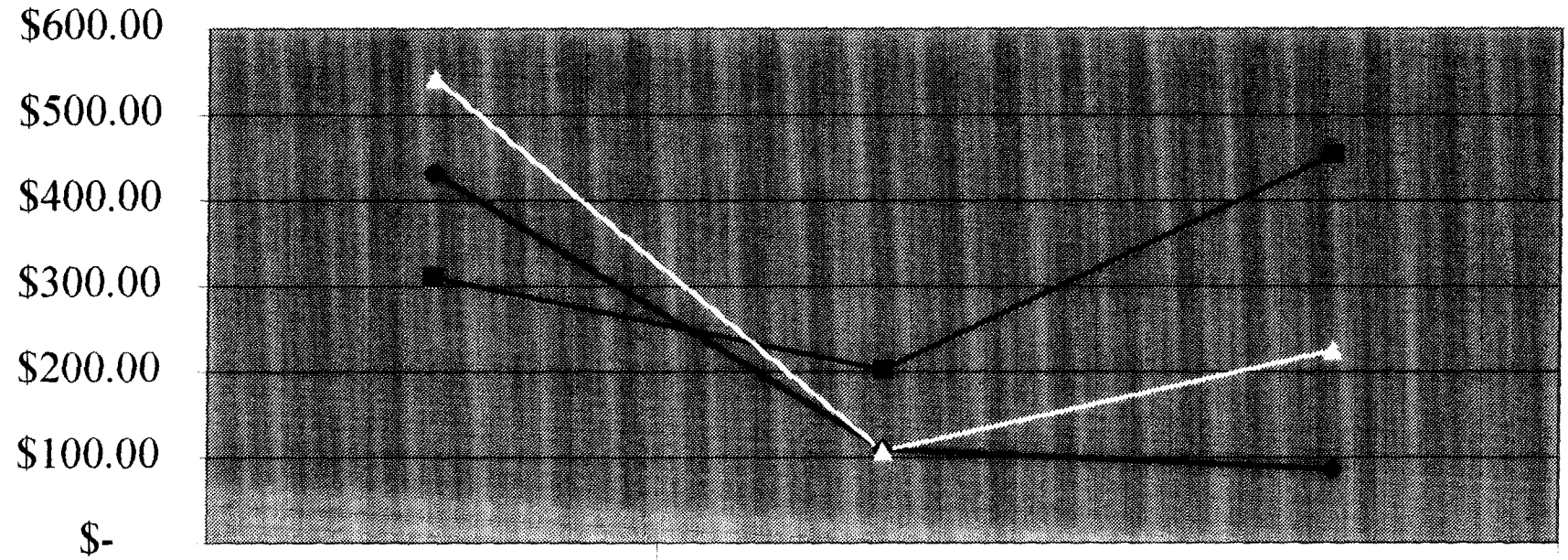
# FEDERAL UNIVERSAL SERVICE SUPPORT
## Actual vs. Proxy at 100%




| | ASOTIN | LEWIS RIVER | MCDANIEL |
|---|---|---|---|
| ACTUAL | $545,547 | $607,499 | $339,853 |
| BCPM 3.1 | $391,941 | $1,124,366 | $1,798,665 |
| HAI 5.0a | $685,488 | $595,587 | $891,022 |

Proxy data represents wirecenter level calculation using model defaults.
Proxy support calculated on primary residential and single line business lines.

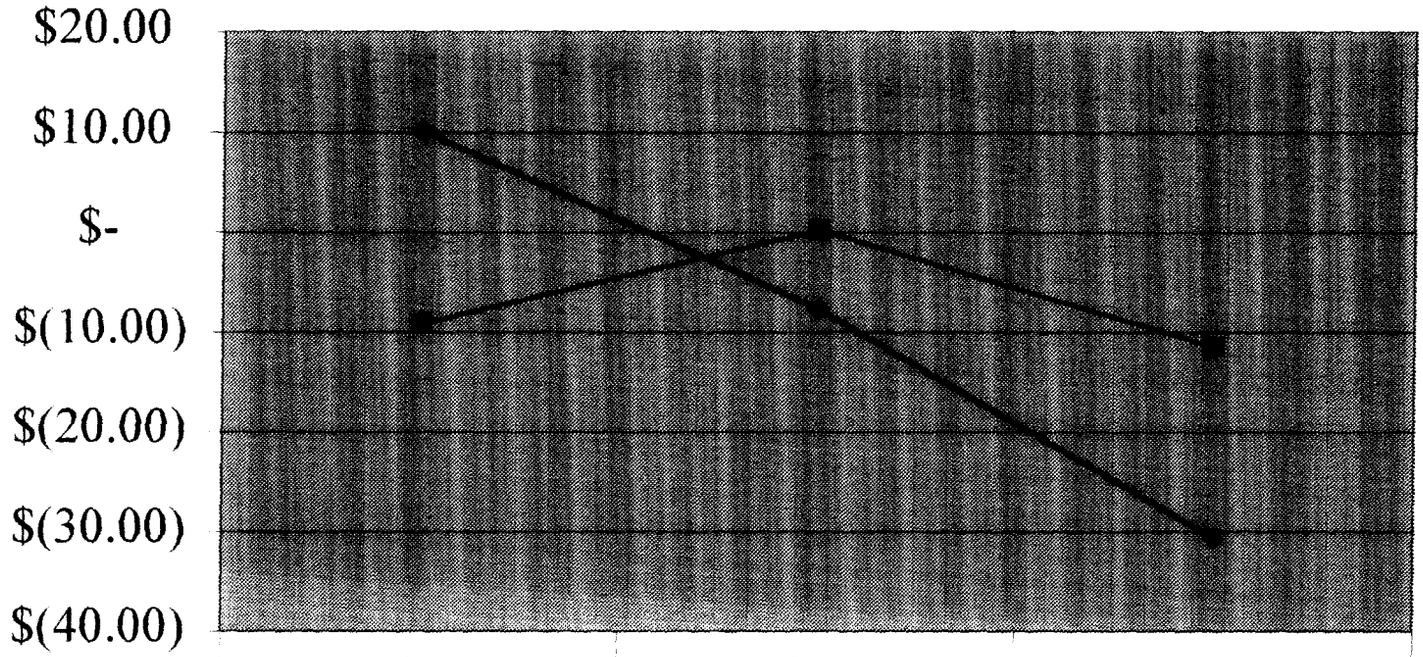
# FEDERAL UNIVERSAL SERVICE SUPPORT PER LINE
## Actual vs. Proxy at 100%




| | ASOTIN | LEWIS RIVER | MCDANIEL |
|---|---|---|---|
| ACTUAL | $431.60 | $109.34 | $85.73 |
| BCPM 3.1 | $310.08 | $202.37 | $453.75 |
| HAI 5.0a | $542.32 | $107.20 | $224.78 |

Proxy data represents wirecenter level calculation using model defaults.
Proxy support calculated on primary residential and single line business and represents 100% federal funding

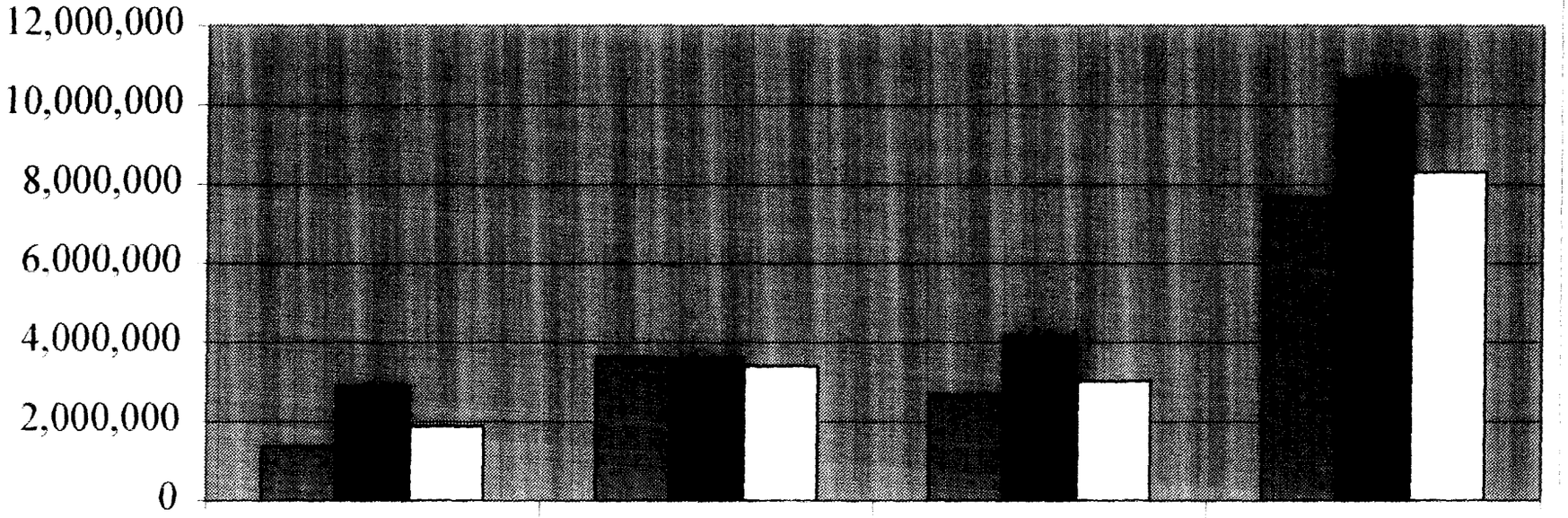
# IMPACT PER ACCESS LINE PER MONTH
## Actual vs. Proxy at 100%




| | ASOTIN | LEWIS RIVER | MCDANIEL |
|---|---|---|---|
| ACTUAL - BCPM 3.1 | $10.13 | $(7.75) | $(30.67) |
| ACTUAL - HAI 5.0a | $(9.23) | $0.18 | $(11.59) |

Proxy data represents wirecenter level calculation using model defaults.
Proxy support calculated on primary residential and single line business lines.

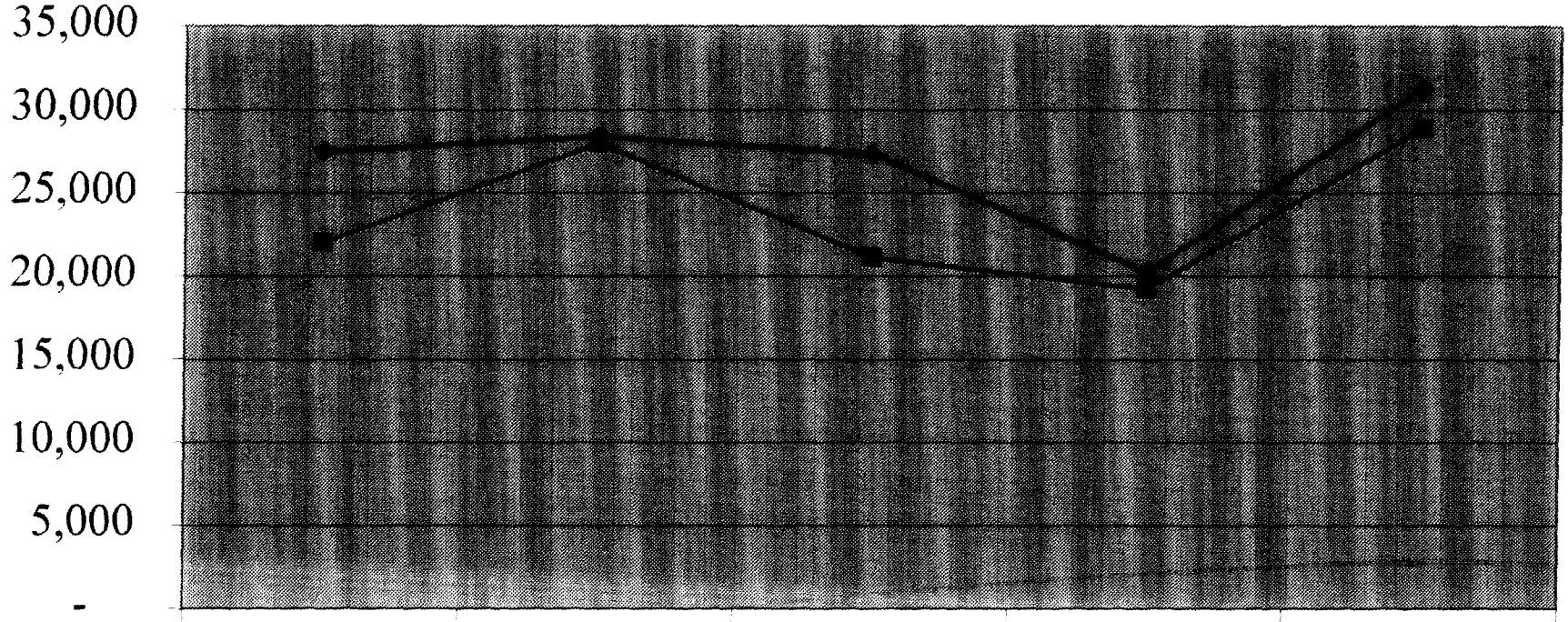
# REVENUE REQUIREMENT COMPARISON
## Actual vs. Proxy




| | ASOTIN | LEWIS RIVER | MCDANIEL | TOTAL |
|---|---|---|---|---|
| REV REQ | 1,367,770 | 3,614,479 | 2,686,352 | 7,668,601 |
| BCPM 3.1 | 2,898,616 | 3,605,203 | 4,128,536 | 10,632,355 |
| HAI 5.0a | 1,879,978 | 3,412,641 | 3,014,875 | 8,307,495 |

Actual and BCPM 3.1 data as submitted in Docket UT-970325.
Hatfield data represents wirecenter level calculation.

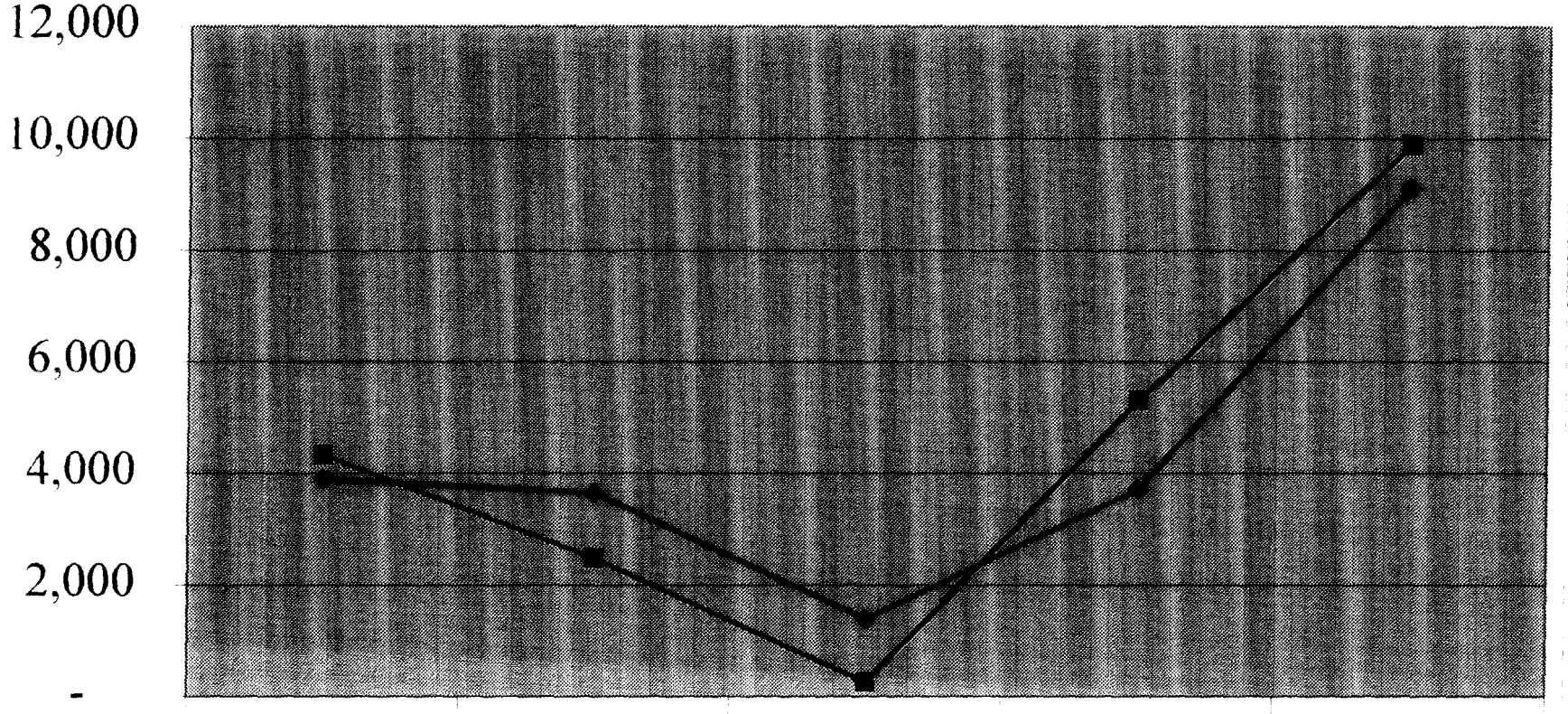
# AVERAGE LOOP LENGTH IN FEET
## Actual vs. BCPM




| | CCM | CHATHAM | ISLAND | SHIAWASSEE | WOLVERINE |
|---|---|---|---|---|---|
| ACTUAL | 27,473 | 28,383 | 27,335 | 20,218 | 31,257 |
| BCPM 3.1 | 22,020 | 27,952 | 21,092 | 19,183 | 28,868 |

Actual based on Michigan study

# ACCESS LINE COMPARISON
## Actual vs. BCPM




| | CCM | CHATHAM | ISLAND | SHIAWASSEE | WOLVERINE |
|---|---|---|---|---|---|
| ACTUAL | 3,884 | 3,650 | 1,389 | 3,712 | 9,108 |
| BCPM 3.1 | 4,325 | 2,475 | 248 | 5,295 | 9,864 |

Actual based on Michigan study.